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ABSTRACT

This handbook provides a brief overview of bank and bank holding company community development corporations (CDCs), the types of activities for which they can be used, the legal requirements in establishing such an entity, and how they are organized and operated. Case studies, including studies of the Shorebank Corporation of Chicago, the First Chicago Neighborhood Development Corporation, the First Rockford CDC, and the Melrose Park Development Corporation, that outline how CDCs are being used to help finance community economic development projects in Illinois are included. CDC activities have included housing development and rehabilitation; downtown and neighborhood commercial revitalization; industrial development and redevelopment; neighborhood marketing; and training, technical assistance, research, and planning for nonprofit development groups. (CML)

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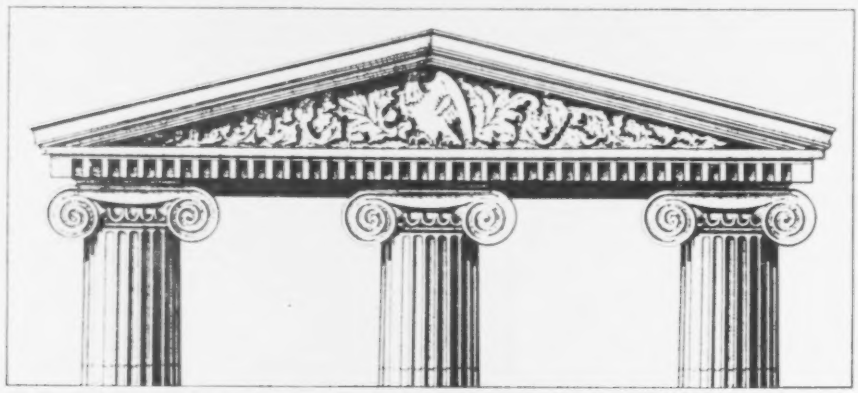

BANK COMMUNITY DEVELOPMENT CORPORATIONS

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Illinois Department of Commerce and Community Affairs
Office of Urban Assistance

BANK COMMUNITY DEVELOPMENT CORPORATIONS

Illinois Department of Commerce and Community Affairs
Office of Urban Assistance
September 1989

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INTRODUCTION

Bank and Bank Holding Company (BHC) Community Development Corporations (CDCs) are a useful device to involve private financial resources in the solution of community economic development problems and needs. At the present time, several CDCs have been organized in communities throughout Illinois for the purpose of making equity and loan investments in real estate, industrial and small business ventures.

This handbook has been prepared to provide a brief overview of bank and bank holding company community development corporations, the types of activities for which they can be used, the legal requirements in establishing such an entity, and how they are organized and operated.

Also included are several case studies which outline how CDCs are being used to help finance community economic development projects in cities within the state.

IMPORTANCE OF BANK CDCs

A bank community development corporation or bank holding company CDC is a special subsidiary formed to address specific housing, community development, economic development, or community revitalization objectives.

CDCs are established by national banks or bank holding companies. They are organized at the sole discretion of the participating banks and are not required by any regulation. CDCs can be used by local bankers to finance many types of conventional economic development projects through equity and debt investments. Non-bank CDCs were established by local entities in the 1960s in many distressed, low-income urban and rural communities to address long-term community revitalization problems such as housing, small business development, and general disinvestment. These CDCs have evolved to include participation of private sector organizations such as local financial institutions, public utilities and other business groups.

Bank CDCs are regulated by the Office of the Comptroller of the Currency (OCC) in the U.S. Treasury Department and BHC CDCs are regulated by the Federal Reserve Board (FRB). The FRB and OCC each separately administer their own CDC programs. The FRB regulates CDCs organized by bank holding companies through the Supervision and Regulations Division of local Federal Reserve banks, and the OCC regulates bank CDCs sponsored by national banks through its Customer and Industry Affairs Division in Washington, D.C.

State-chartered banks interested in forming or participating in a CDC must work through their holding companies, unless separate permission from state regulatory authorities can be obtained or state law allows them to invest

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NOTE: Adapted from materials of the Office of the Comptroller of Currency. This guidebook should be considered as a reference, not a source for legal opinion. Proper guidance should be obtained from the bank's primary regulator prior to involvement in CDC activities.

directly in real estate. However, a state-chartered institution which is forming a CDC as a subsidiary of the bank must contact federal regulators -- FDIC for state non-members and FRB for state members. In addition, savings and loan institutions are authorized to invest in real estate through their service corporations and may participate in community development projects, although their investments need not meet public benefit standards.

Types of CDC Activities

Investments in CDCs or community development projects are intended to stimulate, not compete with, private-sector investment or development companies. Generally, CDC loans or investments require prior regulatory agency approval. Such investments may be most appropriate when:

- A financial gap exists that cannot be met by existing public and private organizations;
- An initial capital injection for a project is required to facilitate the participation of others; or
- A new organizational framework is needed to stimulate action or meet community needs.

Both large and small national banks and bank holding companies in major urban centers and smaller communities have established or invested in CDCs devoted to:

- Housing development and rehabilitation;
- Downtown and neighborhood commercial revitalization;
- Industrial development and redevelopment;
- Neighborhood marketing; and
- Training, technical assistance, research, and planning for non-profit development groups.

CDCs Address Community Needs

A well-planned and properly structured bank or BHC sponsored CDC or community development investment program can be effective in helping to address critical local community development needs. Participation in a CDC helps the bank serve the needs of its community by:

- Focusing on specific community needs, target areas, and projects which are closely related to the bank's strategic objectives;
- Centralizing community development financing expertise in one identifiable unit which can serve as a resource for both the bank and the community;
- Controlling and efficiently managing transaction costs often associated with public/private financing approaches to community development;
- Creating a clear identity in community growth and revitalization; and, when appropriate,
- Assuming a leadership role in strategic or catalytic community projects by initiating and stimulating direct action through real estate, small business or other equity investments.

CDCs are Important to Local Development

There are many important reasons for community support of bank or BHC CDCs for local economic development. They function best as part of a local partnership program working in conjunction with local government and other local development organizations. Almost all bank or BHC CDCs work in conjunction with public sector programs at the state or local levels. Bank or BHC CDCs are usually funded primarily by banks or bank holding companies, respectively, and other private investors. In an era of increasingly scarce public resources, such private involvement in solutions to community development needs is often necessary and beneficial.

Bank and BHC CDCs are proven tools for a wide range of conventional local economic development programs. Bank and BHC CDCs have been used successfully to finance industrial development, to organize downtown commercial development, and to provide small business equity capital.

Because the bank and BHC CDCs and community development investments have a predominantly public purpose, the community is the principal beneficiary. The community benefits from the investment of the bank or BHC, whether it is a separate CDC subsidiary or an investment in an established CDC's project. The additional capital and expertise which banks and BHCs can provide through CDCs may expedite action on community projects, enhance cooperative approaches to community development, and help attract additional public and private resources.

Experiences and Lessons Learned by CDCs

From the experiences of successful CDCs, several specific lessons appear to be applicable to the re-establishment of healthy neighborhood economies:

- Successful development banking requires a highly intelligent staff that possesses sophisticated technical skills.
- Neighborhood development banking is unusually challenging but not inconsistent with profitability, as carefully underwritten development loans to neighborhood residents usually are repaid as scheduled.
- Housing stabilization and modest rehabilitation are often easier to achieve than extensive rehabilitation, reconstruction and/or adaptive reuse of retail commercial strips.
- Local residents will invest time and money to improve their neighborhood when they are confident about the future.
- Middle income residents best utilize development bank credit resources. Job placement, remedial education and other socio-economic needs of lower income residents are often better met by non-bank affiliates or community-based organizations.
- A permanent community renewal process integrates slow, small scale activities with well planned large scale projects.
- Locally based organizations with the capacity to initiate development projects are as critical to a permanent development process as similarly motivated financial intermediaries.

- The range of neighborhood needs addressed by a development oriented bank holding company can go beyond the amounts invested in housing and retail commercial rehabilitation or other community projects.

How Local Governments Can Assist CDCs

There are some very important roles that local government officials can play in organizing bank and BHC CDCs to strengthen public-private partnerships for local development:

- Identify needs -- Define and prioritize local needs among potentially fundable projects such as economic development, housing, neighborhood revitalization, small business seed capital, or others.
- Do initial homework -- Assist in organizing bank and BHC CDCs by gathering information, visiting other bank and BHC CDCs, or consulting with professionals.
- Match seed capital -- Provide access to local funding sources so that a bank or BHC is not the only investor in starting a CDC.
- Leverage investment capital -- Co-invest funds, including HUD Community Development Block Grants or EDA Revolving Loan Funds, in specific projects along with private capital from bank and BHC CDCs.
- Participate in management -- Serve as board members, advisors, or staff for bank and BHC CDCs to better plan and coordinate local economic development projects.

ORGANIZATION AND STRUCTURE OF BANK CDCs

Specifically Authorized Powers of a CDCs

Bank and BHC CDCs are approved to do different activities, based on the interest and capabilities of the bank or BHC, and on community needs in the proposed target area. In the past, CDCs and community development investments, for both national banks regulated by OCC and bank holding companies regulated by the FRB, have been approved to:

- Purchase, own, rehabilitate, construct, manage, sell and promote real estate in their target communities;
- Make equity and debt investments in commercial projects, and local small businesses through joint ventures and other vehicles;
- Provide loans and grants to community organizations involved in local development;
- Mobilize and leverage a variety of funding resources, both public and private;
- Provide technical assistance in areas such as small business management;
- Conduct development-related research, such as project feasibility and market studies; and
- Provide counseling services and serve as a clearinghouse of information.

How Banks Typically Invest in CDCs

Approval is required of most CDC activities because banks and BHCs cannot generally otherwise make equity investment in real estate or in small businesses. Community development lending activities can be conducted by a bank under regular banking authority. However, if a bank wishes to carry community development loans under "other assets" because the bank management does not feel it is truly a bankable loan, this requires approval by the bank's primary regulator under the CDC and community development investment program.

CDCs in which banks have invested have been structured in one of the following ways:

- Wholly or substantially owned subsidiary of a national bank, a bank holding company approved by the Federal Reserve Board, or a state chartered bank authorized to participate in a CDC;
- "Multi-bank" subsidiary owned by more than one bank, savings and loan association, and/or holding company, provided such subsidiary complies with applicable federal and state laws;
- Non-bank CDC created pursuant to specific federal, state, or local statutes; or
- Private CDC that was incorporated with the express purpose of improving housing or economic development in distressed communities.

National banks and bank holding companies can invest in CDCs or community development projects by:

- Creating a new CDC, either a bank subsidiary, or a "multi-bank" CDC;
- Investing in an existing CDC, in which the bank (and the financial community) does not have the primary ownership role; or
- Investing directly in a public purpose community development project, including a limited partnership.

For-Profit vs Not-For-Profit Organization of the CDC

Bank and BHC CDCs may be established as for-profit, common stock corporations or as non-profit organizations. They may be organized and sponsored by a single commercial bank or bank holding company, by a group of banks, or by one or more banks with non-bank investors, including savings institutions, corporations, private individuals and others.

For national bank subsidiary CDCs which are organized on a for profit basis, however, there are some OCC restrictions. National bank for-profit CDCs are generally restricted as to the timing and extent to which profits can be paid over to the CDC's parent national bank and the future uses of such profits by the bank and the CDC.

Alternatively, a bank or BHC can invest in existing CDCs, their projects, or in the activities of other public and private community development organizations in the community. This allows the bank or BHC to avoid the often time-consuming task of creating a new organization. This approach can help strengthen the capacity of an existing organization while avoiding duplication of effort and generally requires fewer bank resources in terms of capital and personnel time than would the formation of a separate bank CDC subsidiary.

Generally, banks and BHCs interested in forming a CDC or in making a community development investment should consider proposed CDC objectives, the types of anticipated CDC projects or investments, and the need for and availability of other private and governmental resources, in determining whether the for-profit or non-profit approach would be more useful. Banks and BHCs should also consider their financial condition and consult their legal, tax, and accounting specialists to obtain a comprehensive assessment of the pros and cons of each approach.

CDCs Focus Primarily on Revitalization

A CDC must predominantly serve a public purpose. The CDC's program of investments must benefit low and moderate-income areas or residents and/or small businesses. A CDC program should address an agreed-upon community goal or need as expressed or adopted by community and governmental leaders and organizations such as the following:

- Housing revitalization programs could be designed to address the special needs of low and moderate-income residents. The CDC might concentrate on vacant structures and/or make restored or new properties available that are affordable to existing residents and businesses whenever possible.
- Alternatively, acceptable CDC programs or projects might be designed to further city-approved and community-supported plans for downtown or neighborhood commercial revitalization in a distressed area. The CDC should consider working with local government and community organizations to help mitigate displacement which is caused either directly by revitalization projects or results from the market pressures that may accompany revitalization. Where appropriate, in cases of direct displacement, displaced people or businesses should be compensated for their relocation and assisted with that process.
- Similarly, as part of a CDC's overall strategy, its economic development programs could serve the small and minority business community whose access to financial and other resources traditionally is more limited than that of large companies. Businesses might need additional equity which is unavailable from other sources, or have a higher risk and a longer return horizon than private sector investments. Investment in these new, small, or minority businesses will generate jobs where they are especially needed.

While the CDC program is meant to be used to focus particularly on revitalization of low and moderate-income areas or distressed communities, investments outside such geographic areas might also be eligible. Such investments must meet the public purpose requirements.

The bank or BHC CDC is not designed to displace private capital or take over neighborhood revitalization resources, but to leverage and stimulate private, public and community investment. There may be special circumstances, however, where a CDC may succeed in obtaining public contracts or funds in competition with others because the local government believes the CDC has the best chance of maximizing public benefits. Such projects must clearly meet public purpose requirements, and will be evaluated on its merits by the appropriate primary regulator.

OCC REVIEW AND APPROVAL PROCEDURES

The OCC's Interpretive Ruling 7.7480 forms the foundation of its program, together with the Banking Circular. The OCC requires banks to submit investment proposals and provides banks with opinion letters which inform them that their proposals are consistent with the provisions of the Interpretive Ruling. It is OCC policy to provide a response to a bank proposal within 30 days of receipt of a complete and final proposal.

The OCC recommends that banks which are interested in CDC investments consult its Customer and Industry Affairs Division before submission of a formal investment proposal. Proposals from banks normally address the CDC concept and activities, its proposed legal status and public purpose, major beneficiaries, the targeted area or community, and the projected bank investment. Any legal issues should first be addressed by the bank's counsel. After receiving this information, representatives from the OCC may request additional information and/or may visit the bank to consult with bank officials, community and business representatives, and local government officials. Once a national bank finalizes its CDC investment plan, the bank must submit a final investment proposal.

Banks, as leading community institutions, may seek to invest in a community development corporation or project in which the bank will receive an equity interest, which may have value in the future but is not a bankable asset by ordinary standards. Such "investments" may be made and charged off as a contribution. Under the OCC's program, a national bank may also carry this investment as an asset and the OCC will treat it as permissible under the eighth paragraph of 12 USC 24, provided the following conditions are met:

- The project must be of predominantly civic, community or public nature (for example, the project is one that benefits low and moderate-income areas and residents or small business) and not merely private and entrepreneurial.
- The bank's investment in any one project does not exceed 2 percent of its capital and surplus and its aggregate investment in all such projects does not exceed 5 percent of its capital and surplus.
- Such investments are accounted for on the bank's books under "other assets."

National banks seeking review of investment proposals must submit such proposals to the Customer and Industry Affairs Division. In general, the OCC approves CDC proposals within 30 days of receipt of a final and complete proposal. An investment proposal normally includes the following information:

- Statement of purpose of the CDC, including how it meets the public purpose requirement and a description of its major beneficiaries;
- Description of incorporation;
- Specific information on the membership of the Board of Directors;
- Description of community involvement;
- Nature and amount of bank investment (i.e., equity, debt);
- Staffing and management support;
- Description of target area;
- Description of projects and activities; and
- Timetable for implementation.

After the OCC completes its review of a bank's CDC investment proposal, the bank will be sent a letter regarding the proposal.

Public Purpose Requirement

Each national bank CDC is evaluated on a case-by-case basis by the OCC. Because the OCC approves a wide range of CDC activities, a number of factors are used to determine whether the proposed CDC predominantly serves a public purpose.

Major beneficiaries of CDC programs should generally be low and moderate-income residents and/or small businesses. In addition, the support and involvement of local and state government is a key element in assuring that the public purpose requirement is met.

A CDC program should fill a gap not addressed by strictly private-sector profit-motivated investors. The OCC is generally opposed to a bank CDC directly competing with these organizations or undertaking activities where a private market already exists to accomplish very similar objectives.

The OCC would generally favor a bank's investment in an already established community development organization which is in need of capital to help meet the community's needs. CDCs often can work effectively with existing groups in joint ventures and partnerships. Generally, it is to the CDC's advantage to collaborate with private and non-profit partners.

Board of Directors and Community Involvement

The OCC requires that CDC proposals demonstrate that the CDC will have ongoing community involvement in its plans and activities. A national bank CDC's board of directors should include community representatives from the affected business, residential and governmental sectors. Such representation helps ensure that the perspectives of affected community members are reflected in the deliberations of the board as it determines the CDC's priorities, develops plans, and implements projects.

Although the OCC does not require that a majority of the bank CDC's board be comprised of community representatives, a reasonable number of board members should reflect the views of the community.

In addition to community representation on the CDC board of directors, the OCC sometimes recommends use of one or more CDC advisory committees, comprised solely of community representatives, to assist the board in planning and implementing CDC projects and activities. Such advisory committees often provide the CDC additional avenues of communication with the community about community needs and opportunities, and may be structured to help provide special expertise, technical assistance, or marketing capacity to the CDC. Depending on their objectives and activities, some bank CDCs have formed advisory committees, while others have established formal or informal advisory relationships with existing neighborhood or business groups.

Community involvement in the management and activities of the CDC has consistently been a major factor which OCC uses in assuring that the CDC meets the public purpose standard. In addition to the composition of the board, the following factors are also important:

- The CDC's other methods of involving community representatives in the decision making process, e.g., neighborhood advisory councils;
- The role of community groups in the implementation and planning of CDC investments or projects, e.g., joint ventures; and
- The general involvement of the bank with community groups, business organizations, and local government.

Management Requirements for CDCs

Under OCC regulations and guidelines certain management requirements do exist in developing a bank CDC. At a minimum, national banks seeking approval of a bank CDC subsidiary must demonstrate that the CDC will be professionally managed by experienced individuals who are knowledgeable about the types of activities which the CDC will undertake.

In order to assure adequate management, banks investing in CDCs have most often hired or designated an executive director with administrative and technical skills appropriate to the type of projects to be undertaken.

For example, the management team of a CDC focused on housing development or rehabilitation should include personnel with experience in various aspects of housing finance, real estate development, or similar activities. Although such experience or skills are generally required of at least one of the CDC's top officials (e.g., its executive director or president), the bank should also place personnel on the CDC's board, staff, or project review committees, who have qualifications appropriate to the CDC's mission.

For proposals regarding bank investments in other CDCs or in community development projects sponsored by other private or public organizations, the OCC usually requests information concerning the management capacity and track records of the CDCs or of the project sponsors.

Capitalization

The OCC does not require any specific minimum level of capitalization for establishing a national bank CDC subsidiary. However, the maximum investment cannot exceed five percent of the bank's surplus and capital.

When a bank is establishing a CDC, adequate capitalization assumes designation of start-up as well as permanent funding (equity and lines of credit).

To determine initial capitalization for a CDC, national banks should consider the nature of the CDC's mission, the financial condition and capacity of the bank, the CDC's start-up costs, the capital needs of anticipated projects, and the extent, if any, to which other investors, including financial institutions, will participate. National banks, however, also should be sensitive to community expectations regarding establishment of bank CDCs and the level of commitment to community projects which the initial capital amount represents.

Because new bank CDCs usually require some start-up time, some banks have provided small initial capital amounts and supplemented those as needed for projects as they occur. Other banks also provide lines of credit to their CDCs.

For-Profit CDCs

National bank subsidiary CDCs which have been created as for-profit corporations must generally adhere to certain OCC required conditions:

- The CDC shall not pay dividends during the first three years of the CDC's operation;
- After this three year period the OCC may authorize distribution of dividends if OCC has determined that the CDC has met the public purpose requirement of the Interpretive Ruling 7.7480; and
- Any dividends authorized by the OCC are to be used by the bank in fulfilling civic, community and/or public purposes.

Among the factors that will be reviewed in conjunction with this determination are:

- The CDC's retention of the property after a private market has developed which would provide substantially similar services and facilities for the specific project, and
- The use of the profits, if any, in the community being served by the CDC.

Review of Banking Law Questions

In the course of formulating its CDC investment proposal, a national bank might identify banking law issues that the proposal raises. In such circumstances, to expedite review, the bank should submit an opinion of its counsel for OCC review. It should submit its request as early as possible to the Customer and Industry Affairs Division. The letter should:

- Identify the specific provision(s) of banking law, including OCC regulations, in question.
- Identify all relevant persons and banks involved. Letters relating to unnamed banks, companies, or persons, or to hypothetical situations will not be answered.
- Provide a concise description of the particular problem and all facts necessary to reach a conclusion in the matter. Letters should not attempt to address every possible situation that may arise in the future.
- Indicate the writer's opinion of how the legal issues should be resolved, and the basis for that opinion, including an analysis of any relevant court decisions.

Supervisory Procedures

National banks that have invested in a CDC or a CDC project may be asked to submit periodic reports, as authorized by 12 USC 161. Pursuant to 12 USC 481, each national bank CDC and/or CDC investment is subject to periodic examination for its adherence to Interpretive Ruling 7.7480 and other statutory/regulatory requirements.

ESTABLISHING A HOLDING COMPANY CDC THROUGH THE FEDERAL RESERVE

Regulation Y: Bank Holding Companies and Change in Bank Control, Section 225.25, forms the basis of the FRB's program. A bank holding company that desires to form a CDC must apply to its Federal Reserve Bank using the non-banking (FR Y-4) bank holding company application form. The processing period for such filings is normally 30 days or less. Prefiling conferences are often desirable to ensure that the application is informationally complete. The application usually contains the following information:

- A complete description of the proposed activity;
- The major objectives of the proposed CDC and how it will meet these objectives;
- The amount of the capitalization and the expected funding needs of the CDC;
- A profile of the CDC's immediate target area (neighborhood) as well as the general area (city, county, etc.) of its proposed operation;
- A brief discussion of any other agency or community activity in the target area;
- A description of specific project contemplated; and
- A description of how and by whom the CDC would be managed.

Most CDCs have found the easiest way to succeed is by starting small, for example, by focusing on a neighborhood. However, the applicant could function in larger geographic areas such as a city, county, or state.

Since a CDC is established to foster community growth, many have community representatives on the board of directors; however, this is not specifically required. Community involvement may take any form the holding company views as effective.

The Federal Reserve Board requires no specific level of investment in the CDC by the holding company. Generally, the Board expects the company to prudently fund the CDC in accordance with safety and soundness considerations. Leveraged activities, for example, would normally require additional capital beyond that required for purely advisory activities.

In considering a bank holding company proposal to establish a CDC, the Board evaluates both the nature of the proposed activities and whether they will produce public benefits which clearly outweigh any possible adverse effects. In its evaluation, the Board therefore carefully reviews the purposes behind a CDC application and the financial impact the investment would have on the holding company.

FOR MORE INFORMATION

Federal Reserve

For more information, contact the Federal Reserve Bank of Chicago, Supervision and Regulation Division, Consumer and Community Affairs Section, 230 South LaSalle, Chicago, Illinois 60690, 312-322-5950.

Office of the Comptroller of the Currency

For more information, national banks should contact OCC's Customer and Industry Affairs Division, Office of the Comptroller of the Currency, 490 L'Enfant Plaza, S.W., Washington, D.C. 20219, (202) 287-4169. National banks should also request and consult:

- OCC Banking Circular 185, issued on August 20, 1984, which describes bank community development investments and presents OCC policy guidelines used to monitor such investments.
- OCC Interpretive Ruling 7.7480, which provides the legal basis for national bank CDC investments.
- "National Bank CDCs: Questions and Answers," which is information in question and answer format about national bank community development corporations and the Office of the Comptroller of the Currency's CDC program.

CASE STUDIES

Shorebank Corporation
Chicago, Illinois

Shorebank Corporation (formerly Illinois Neighborhood Development Corporation) is a bank holding company that was established in 1972 to rebuild communities, through bank and non-bank affiliates, while generating reasonable returns to shareholders and lasting benefit to residents. Shorebank owns and manages:

- The South Shore Bank of Chicago, a full service commercial bank organized under the banking laws of the State of Illinois and regulated also by the Federal Deposit Insurance Corporation (FDIC). The Bank is a 99 percent owned subsidiary of Shorebank which offers commercial and neighborhood development loans and services.

- City Lands Corp., a real estate development corporation, which develops and manages residential and commercial real estate for the benefit of low and moderate-income residents.

- The Neighborhood Fund, an SBA-licensed Minority Enterprise Small Business Investment Corporation. The fund finances businesses with equity investments and long term subordinated debt.

- The Neighborhood Institute, a 501(c)(3) tax-exempt affiliate which operates economic and social development programs including remedial education and job training, creation, and placement for low income residents.

- TNI Development Corporation, a for-profit subsidiary of The Neighborhood Institute, which develops rental and cooperative housing for low-income residents.

- Shorebank Advisory Services, a consulting firm which offers technical assistance on development banking and other community economic development strategies.

Like all bank holding companies, Shorebank is regulated by the Board of Governors of the Federal Reserve System. At year-end 1988 the Corporation had total assets in excess of $167 million, total deposits of more than $150 million, and net income of $1,671,248.

South Shore, the holding company's first target area, is a minority neighborhood of 78,000 people, 15 minutes from downtown Chicago. The majority of residents are low and moderate-income. In July of 1986 Shorebank began operations in its second target area, the heavily disinvested neighborhood of Austin on Chicago's far west side. Austin is a minority community of 138,000 low and moderate-income residents.

Southern Development Bancorporation, a de novo bank holding company, was also recently organized by Shorebank Corporation to promote and finance rural economic development in southern Arkansas.

In its early years Shorebank had to reverse a dramatic outflow of deposits from the Bank, and of credit and confidence from the South Shore community. It did that by simultaneously making the Bank's services competitive, organizing community meetings, extending credit, inducing participation by private mortgage insurers, inviting local residents onto its board, remodeling its facilities, attracting public subsidies to development, retraining its staff, distributing block club identification signs, attracting a community-sensitive housing rehabilitation company, raising investment capital for community organizations and generally heralding the revival of South Shore. Initially, the Bank attracted an intelligent but inexperienced staff that has systematically built its skills in banking and development. Since then, it has begun to make increasingly difficult loans for multi-family rental housing rehabilitation, small business start-ups and commercial district rehabilitation.

Initially, it used the South Shore Bank as lender, confidence-builder, and deal-maker. Later it created non-bank subsidiaries to diversify the renewal process. Presently, it has demonstrated earning capacity equal to other bank holding companies. Shorebank has served as an architect and national model of development programs tailored to the needs of specific communities. Its tools are the combination of managerial and financial resources that can be organized within any regulated, deposit-taking holding company.

Shorebank Corporation
7054 South Jeffery Blvd.
Chicago, Illinois 60649
312-288-1000

First Chicago Neighborhood Development Corporation
Chicago, Illinois

The First Chicago Neighborhood Development Corporation was formed in April 1979. Its purpose is to promote the revitalization of low and moderate-income neighborhoods in Chicago by making equity and loan investments in residential projects.

The initial capitalization of $1,000,000 in equity investment and extensions of credit, as needed, were provided by First National Bank of Chicago. During its first five years of operation, the Neighborhood Development Corporation served as a joint venture partner with a number of Chicago neighborhood-based development organizations in successfully developing and financing primarily multi-family subsidized housing projects in low and moderate-income neighborhoods. The CDC also provided technical assistance to community-based groups and served as liaison to the bank with those groups.

The role of the CDC has changed since 1985. It now primarily provides technical support for the bank's Neighborhood Lending Division which administers a wide range of loan activity in cooperation with community groups. It is also the conduit for First National Bank's financial participation in the Chicago Equity Fund. The Fund organizes and manages the limited partnership investments of its corporate sponsors in multi-family, low and moderate-income housing, working closely with neighborhood-based development organizations and city and state governments.

First Chicago Neighborhood
Development Corporation
Two First National Plaza
Suite 0289
Chicago, Illinois 60670
312-407-2052

First Rockford CDC
Rockford, Illinois

The First Rockford CDC was established in June 1979 as a non-profit corporation. Its purpose is to promote the revitalization of the Haight Village Community by making loans and equity investments in residential real estate. In doing so, the CDC has acquired, renovated, developed, leased, managed and sold property.

The First Rockford CDC has successfully completed numerous residential and commercial projects, bringing new life to previously declining areas of Rockford. The Haight Village residential area was revitalized through the acquisition, rehabilitation and sale of fifteen houses. Commercial revitalization of the East State-Midway area was achieved through the renovation and sale of five buildings, the purchase, leasing, management and sale of a sixth building, and the construction of a streetscape.

The First National Bank and Trust Company of Rockford provided the initial equity investment of $100,000 in the CDC.

Richard Brynteson, President
First Rockford CDC
401 East State Street
Rockford, Illinois 61101
815-962-3771

Melrose Park Development Corporation
Melrose Park, Illinois

Melrose Park Development Corporation was established in May 1986 as a for-profit corporation. Its purpose is to act as a catalyst in the redevelopment and stabilization of the commercial, industrial and residential space included in the market area of the Melrose Park Bank and Trust. Its areas of focus include job development, housing needs of low to moderate-income residents, and the commercial/ industrial improvement of the community. Melrose Park Bank and Trust provided an initial $5,000 equity investment and a $100,000 line of credit.

Robert C. Gremley, President
Melrose Park Bank and Trust
17th Avenue at Lake Street
Melrose Park, Illinois 60160
312-681-8600

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